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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-71455; File No. SR-NSCC-2013-13]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change to Discontinue its Stock Borrow Program
January 31, 2014.

I. Introduction

On December 10, 2013, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-NSCC-2013-13 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on December 27, 2013.³ The Commission did not receive comments on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

NSCC is amending its Rules and Procedures (“Rules”) to discontinue its Stock Borrow Program. The effective date of the rule change will be announced by NSCC via an Important Notice.

Currently, NSCC Members may elect to participate in the Stock Borrow Program by designating specific securities from their inventory at the Depository Trust Company (“DTC”) as available to be lent in the event that NSCC’s Continuous Net Settlement (“CNS”) system cannot complete a delivery of a security to a long Member because a short Member has not completed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-71156 (Dec. 20, 2013), 78 FR 79028 (Dec. 27, 2013) (SR-NSCC-2013-13).

its delivery to CNS. In such a case, if a lender has identified such a security as available through the Stock Borrow Program and the lender has a free excess position of the security at DTC, NSCC initiates deliveries through CNS to the long Member and sets up a pending receive for the lending Member. If the position is not returned to the lender by the end of the settlement day, i.e., the Member with the original obligation to deliver to CNS does not complete that delivery, the lender receives full market value for the securities through NSCC settlement.

Usage of NSCC's Stock Borrow Program has declined over the past few years. In 2007, NSCC borrowed a daily average of approximately \$1.85 billion in market value at the close of each day from the approximately 21 Members that participated in the Stock Borrow Program. In October 2013, only three Members participated in the Stock Borrow Program and the average daily value borrowed at the close of day during that month was approximately \$81 million. Usage of the program has continued to drop since the end of October 2013. Given the reduction in the use of the program, NSCC has determined that it is not economically efficient to maintain the service.

III. Discussion and Commission Finding

Section 19(b)(2)(C) of the Act⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to, among other things, "promote the prompt and accurate clearance and settlement of securities transactions and ... to assure the safeguarding of securities and funds which are in the

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 12 U.S.C. 78q-1(b)(3)(F).

custody or control of the clearing agency or for which it is responsible.”⁶ The Commission finds that NSCC’s proposed rule change is consistent with these requirements because discontinuing an underutilized service will enable NSCC to allocate its resources to core clearing agency functions in a more efficient and effective manner.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NSCC-2013-13 be, and it hereby is, APPROVED.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O’Neill,
Deputy Secretary.

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⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁸ 17 CFR 200.30-3(a)(12).